

Date: 25/5/78 By: 009

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CENTRAL INTELLIGENCE AGENCY

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4. The following are the terms of the above-mentioned option:

- a. The original capitalization of the Ethiopian Cotton Corporation shall be \$E 5,500,000. Ethiopian citizens may elect to subscribe up to 30 percent of the original capital within a period of six months. 25X1A
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 Informant believes that the Emperor wishes to subscribe 25 percent of the stock for his personal account.)
- b. A 20,000-spindle cotton factory will be erected in Addis Ababa within two years upon land granted by the Ethiopian Government.
- c. The Corporation undertakes to produce not less than 30 percent of the estimated 25,000,000 yards annual Ethiopian consumption of gray sheeting and other like cotton products within a period of three years. Production will be limited to cotton products such as are in general use in Ethiopia. During the fifth year and each year thereafter the Corporation will produce a minimum of 14,000,000 yards of gray sheeting and like products, and 30,000 kilograms of cotton yarns. At any time while the contract is in force, the Corporation may increase production to provide for 60 percent of the 25X1A
 total consumption of cotton goods in the country as defined by the Ministry of Commerce. 25X1A
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 Comment. That Ministry believes that the Diredana cotton factory, with 10,000 spindles, at present supplies 20 percent of Ethiopian cotton goods consumption.)
- d. The Corporation may bring into Ethiopia, for a period of four years, foreign manufactured cotton to supply local needs, but in the fifth year it must sell locally manufactured cotton goods exclusively.
- e. The Corporation shall endeavor to produce enough cotton locally to supply the needs of the proposed manufacturers. Within two years of signature of the contract it agrees to produce 1,000 tons of ginned cotton annually, and four years after signature it agrees to produce 3,000 tons of ginned cotton annually. For this purpose it will develop agricultural concessions in three localities, the principal of which shall be at Soddu. Such agricultural concessions may be used for the production of other crops, but at all times at least 25 percent of the cultivated area shall be planted to cotton. Land for industrial and agricultural establishments shall be granted free of rental by the government, but all municipal and provincial taxes shall be paid by the Corporation.

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- f. If it shall be found economically impossible to use locally produced cotton, the Ministry of Commerce may authorize the Corporation to use imported cotton in its factories.
- g. For the first three years no customs duties shall be charged on equipment, spare parts, or replacement equipment for each new establishment, provided that such replaced equipment is not sold within Ethiopia.
- h. The Corporation is authorized to repatriate each year up to 20 percent of its total capital investment in its Ethiopian operations, and to pay interest and dividends to foreign investors. The Corporation may freely use any foreign exchange which it procures from exports, but the Ethiopian Government does not undertake to supply it with any foreign exchange whatsoever.
- i. For the first four years of operations the government shall not take profits made by the Corporation. Thereafter, the government shall collect taxes on the net profits of the Corporation at the rate of 15 percent on an amount up to \$E 100,000, and 20 percent on all profits in excess of \$E 100,000. (Net profit is not defined.)
- j. The contract shall run for a period of thirty years, at the end of which time the Corporation may renew the contract if it wishes. At the end of sixty years the government may buy the installations at an arbitrated price, and at the end of ninety years the installations unconditionally revert to the government. For a period of ten years the government agrees not to grant concessions for those manufactures that exceed the normal consumption of the country as determined by the Ministry of Commerce. The government may, however, grant any concessions for like products that are intended wholly for export.

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~~CONFIDENTIAL~~ Comment. David Halle, ex-German national and former Custodian of Enemy Property in Ethiopia, was instrumental in interesting Emil Buehrle Associates to consider investment in Ethiopia. Several technical experts are expected to arrive there within a month to study the aspects of the proposed contract and make a report before final signature. This cotton growing and manufacturing project is the pet scheme of the Ethiopian Minister of Commerce, Ato Makonnen Hapte Wolde. Cotton and cotton products are the greatest single item of import to Ethiopia, and the success of this plan would go a long way toward balancing Ethiopia's world trade.)

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